



THE CITY OF SAN DIEGO

DATE: September 20, 2010

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor Activity Report – August 2010**

This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of August 2010. It includes the audit reports issued and other accomplishments during this period, the status of current audit projects and activities, and a summary of planned audits that we have not yet started.

Audit Reports and Accomplishments:

- August 10, 2010 – Issued the Close-Out Audit report for Nader Tirandazi, former Financial Management Director. We found that Mr. Tirandazi had no outstanding debt to the City and nothing came to our attention requiring further review. The audit report can be found on our website at:
http://www.sandiego.gov/auditor/reports/audit_pdf/tirandazi_close_out_rpt.pdf
- August 26, 2010 – Issued the agreed-upon procedures review of the Public Utilities Department's proposed increase in water rates for San Diego rate payers, pursuant to San Diego County Water Authority rate increases effective January 1, 2011. We verified the mathematical accuracy of the proposed rate increase calculations. The report can be found on our website at:
http://www.sandiego.gov/auditor/reports/pdf/fy11_water_rate_review.pdf
- August 31, 2010 – Issued our Performance Audit of Risk Management's Public Liability and Loss Recovery Division. Based on our audit, we found the City has not developed a comprehensive approach to identify and manage risks, the internal controls over public liability and loss recovery processes can be improved to maximize opportunities to recover on City losses and reduce the City's risk from future losses, and Risk Management has several opportunities for improvement to better manage staff workloads. We made 23 recommendations to improve operations. The audit report can be found on our website at: http://www.sandiego.gov/auditor/reports/audit_pdf/11-001.pdf

New Staff Member

Efrem Bycer, MPA, Performance Auditor

Efrem Bycer joined the City Auditor's Office as a Performance Auditor in August 2010. Efrem holds a Masters in Public Administration from the Maxwell School of Citizenship and Public Affairs at Syracuse University, and a Bachelor degree in Urban and Regional Studies from Cornell University. His experience includes performing research and data analysis as a Project Assistant with the New Orleans Planning Initiative, and consulting on neighborhood outreach and meeting facilitation strategies for the Tomorrow's Neighborhoods Today initiative in Syracuse, NY. In addition, Efrem served as a member of the Community Service Patrol unit of the South Burlington (VT) Police Department.

Current Audits and Activities:

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Fire Rescue – Fire Prevention Audit	The primary objective of this audit is to assess the efficiency and effectiveness of the City's fire prevention program. A draft audit report was sent to the department for review on August 6, 2010.	September 2010	1,152	1,080
General Services - Streets Division Roadways Audit (Part I & II)	The objective of this audit is to determine if City streets are being efficiently and effectively maintained by the City. We issued a report on Part I, and on August 26, 2010, we provided a second report on Part II to the department for review. Our preliminary testing uncovered risks which required additional audit testing and a Part II audit. As a result, budgeted hours will be exceeded and does not reflect hours for two reports.	Part II October 2010	3,415	1,574

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
City Treasurer - Delinquent Account Collections Audit	The objective of this audit is to determine if overdue accounts due to the City are being properly noticed, collected, accounted for, and accurately reported in the City's financial statements. We issued a report in December 2009 regarding Development Services' lack of referrals to City Treasurer for collection efforts. A draft audit report was sent to the department for review on September 16, 2010.	October 2010	830	921
Enterprise Resource Planning (ERP) System Implementation Review	The objectives of this audit are: (a) determine if the City's key financial activities were adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system (b) determine if the system was adequately tested prior to implementation and (c) review high risk interfaced and impacted systems post SAP go-live. A draft audit report is under audit management review. One report has already been issued during this audit.	October 2010	3,062	3,407

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Close-out Audits	Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are to verify that there are no outstanding debts owed by the City Official to the City, and to ensure that access to critical information and processes has been revoked. We are currently conducting a close-out audit for Jim Barrett, former Public Utilities Director. We have used approximately 43 audit hours this fiscal year on close out audits.	October 2010	43	240
Capital Improvement Projects Audit	The objective of this audit is to determine the extent to which the City effectively initiates, prioritizes, and implements CIP projects. Audit fieldwork is in progress.	Part I November 2010	1,642	2,880
Police Department – Fiscal Services (Animal Services Contract) Audit	The objective of this audit is to review the City’s contract for Animal Services and determine if the service provider is in compliance with the terms of the contract. Audit fieldwork is in progress.	December 2010	30	600

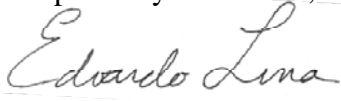
Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Fraud, Waste and Abuse Hotline	We review and administer the City's Hotline calls that are received. Investigations are performed by the Office of the City Auditor for accusations of material fraud, waste or abuse, and we issue Hotline reports on fraud related allegations that are substantiated. During the month of August, there were 5 new Hotline calls received.	On-going	196 (Fiscal Year 2011 Hours)	1,560 (Fiscal Year 2011 Hours)
Follow-up on Audit Report Recommendations	The City Auditor tracks all audit recommendations made since FY08. Comptroller staff contacts those responsible for implementing our recommendations and provides regular status data to the City Auditor on all implemented recommendations. We verify if recommendations have actually been implemented and report the implementation status on a semi-annual follow-up report. The next semi-annual follow-up report is due in October 2010.	On-going	205 (Fiscal Year 2011 Hours)	600 (Fiscal Year 2011 Hours)

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Public Utilities – Water Department and Metropolitan Wastewater Audits	The City Auditor entered into a Service Level Agreement with Public Utilities and the Independent Rates Oversight Committee (IROC) to conduct audits of the Public Utilities department. Currently, the City Auditor is undertaking a comprehensive risk assessment to identify areas for subsequent audits. We are presenting the completed risk assessment to IROC on September 20, 2010.	TBD	255	2,600
Fire Rescue – Emergency Medical Services Audit	The objective of this audit is to determine the efficiency and effectiveness of the City's Emergency Medical Services and related partnership with Rural/Metro of San Diego. Audit background and preliminary survey are in progress.	TBD	384	1,800

Planned FY11 Audits Not Yet Started (as of July 31, 2010):

Planned Audit	Estimated Audit Hours
City Treasurer – Parking Administration Audit	1,280
City Comptroller / Personnel Department – Payroll Audit	1,500
City Retirement System Audit	1,700
Development Services Department Audit	1,600
General Services – Fleet Services Audit	1,400
Police Department – Fiscal Services (License and Permit Fees)	1,300
Real Estate Assets Department Audit	1,800

Respectfully Submitted,



Eduardo Luna
City Auditor

cc: Honorable Mayor Jerry Sanders
Honorable City Council Members
Jay M. Goldstone, Chief Operating Officer
Wally Hill, Assistant Chief Operating Officer
Mary Lewis, Chief Financial Officer
Ken Whitfield, City Comptroller
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst